



Here Are 2 of the Best Utility Stocks to Buy and Forget

Description

Investors buy utility stocks for their stability and predictability, including the safety of their growing dividends. The two best utility stocks to buy and forget for this purpose are **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) and **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)).

Fortis

Fortis is virtually a regulated business with very predictable earnings and returns on equity (ROE). This has resulted in a [safe and growing dividend](#) that has lasted for 45 consecutive years and counting!

The utility is diversified across 10 utility operations in Canada, the United States, and the Caribbean. The three biggest businesses are ITC Holdings (about 37% of assets), UNS Energy (19%), and FortisBC (17%).

Fortis generates about 65% of its earnings from the U.S. across three businesses: ITC, UNS Energy in Arizona, and Central Hudson in New York. ITC is the largest independent electricity transmission company in the U.S., with a footprint spanning eight states.

Fortis generates ROE of about 8.5-9.5% for most of its operations. For ITC, it generates an even higher ROE of about 11-12%.

Through 2023, Fortis estimates it'll be able to increase its dividend per share by 6% per year on average, which not surprisingly, aligns with its historical dividend growth rates of about 5-7%.



Brookfield Infrastructure Partners

Brookfield Infrastructure is a diversified utility. It stores or transports energy, water, freight, passengers, and data with its global operations spanning North and South America, Europe, and Asia Pacific. Its operations include regulated distribution, regulated transmission, toll roads, and rail.

BIP's objective is to generate long-term ROEs of 12-15% while maintaining a sustainable cash distribution that increases by 5-9% per year. It has been generating industry- and market-beating returns and dividends with flying colours. Since its inception in 2008, BIP has delivered total returns of 15% per year.

In the last 10 years, the [quality utility](#) has increased its cash distribution by about 10% per year while increasing its funds from operations by 16% per year in the period and thereby improving its payout ratio. The company maintains high EBITDA margins and generates largely regulated cash flow that helps maintain a healthy dividend.

BIP benefits from a global infrastructure funding gap. Global infrastructure of US\$69 trillion is required by 2035, and by 2025, US\$4.6 trillion of investment is needed for the U.S. alone.

Foolish takeaway

The stocks of both Fortis and Brookfield Infrastructure make great stabilizers for any stock portfolio. If you hold these stocks, you can forget that they're in your portfolio and expect to get safe and growing dividends from them for decades to come!

Currently, they offer initial yields of about 3.5% and 4.7%, respectively. Long-term investors should aim to buy them on dips and feel comfortable holding them for a long time.

If I had to choose one to buy right now, I'd go for BIP, which is slightly better valued, offers a bigger starting yield, and provides stronger growth potential.

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1. Dividend Stocks
2. Investing
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2. NYSE:FTS (Fortis Inc.)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
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